

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

REPORT OF AUDIT
Year Ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

October XX, 2013

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Whitley County School District (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations; Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and budgetary comparison information on pages 4-10 and 17-18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October XX, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mar, Miller & Myers, PSC

Certified Public Accountants

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

As management of the Whitley County School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

SUPERINTENDENTS' REVIEW OF THE YEAR

- The District continued to refine curriculum and exit criteria for all grade levels with committees of teachers representing primary, intermediate, middle and high school grade levels.
- The District built leadership capacity among teachers by placing them as Action Component Leaders in development of the School Improvement Plans and as PLC leaders for grade-level and core content teacher teams.
- All schools presented disaggregated data annual test results and plans for school improvement to the Board of Education.
- The focus on improved instruction throughout the District remained a priority with the continued employment of our technology integration specialist, writing specialist, math specialist and reading specialist. All four specialists provided a variety of content specific professional development activities for teachers, as well as in-class assistance.
- The District increased its focus on student achievement through providing professional development including:
 - Assisting Lower Achieving Students in the Classroom
 - Grade Level Academies
 - Internet Safety
 - Modifying Instruction for Diverse Learners
 - Improving Student Motivation
 - Classroom Behavior Management
 - Curriculum Alignment
 - Building Positive Parent Relations
 - Formative/Summative Assessments
 - Program reviews
 - Response to Intervention
- The District continued its efforts to effectively integrate technology and curriculum through professional development activities which included:
 - CIITS
 - Video conferencing with Lync
 - Creating online classroom environments
 - PD 360
 - Smart Boards in the classroom
 - Instructional use of iPads in the classroom
 - Riverdeep software
 - iMac tutorials
 - Document Cameras
 - Student Response Systems

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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

- MAP
 - Kindergarten Screening
 - TPGES
 - AIMSWeb progress monitoring
-
- Revision and implementation of a technology curriculum for the elementary and middle students that teaches our students about internet safety, keyboarding skills, and computer fundamentals through core content instruction.
 - Continued the Read to Achieve, Reading Recovery and Early Incentive Reading programs targeting at-risk readers in the elementary schools.
 - Continued participation in the MAF grant program targeting students performing below grade level in mathematics at four of our elementary schools, Central Primary, East, North and Boston.
 - Continued a collaborative program with Save The Children at Pleasant View Elementary, Whitley Central Intermediate, Oak Grove Elementary and Central Primary Schools designed to improve the literacy levels of at-risk students. Services are targeted to struggling readers both during the school day and in an after-school program. These schools also participate in Healthy Choices and the Early Steps birth to three initiative.
 - Continued the Y.O.U. (Youth Opportunities Unlimited) program targeting students at-risk of dropping out of school. This program assists with credit completion and employment opportunities.
 - Continued support to Rockholds Opportunity Center for students in Grades 7-12 who are not succeeding in a traditional school environment.
 - Continued participation in the 21st Century Community Learning Grants at Pleasant View, Boston, North, Whitley Central Primary and Intermediate Schools, and the Middle School and High School. The 21st Century Community Learning Grant provides after school and summer learning opportunities and field trips for our students.
 - Continued *Technology Tidbits* - blog to inform staff of exciting and new technology information that can be used in the classroom.
 - Completed a network infrastructure update at Whitley County Central Primary.
 - Began an online staff portal to collaborate and share information among staff members.
 - Completed installation of a geothermal HVAC system at Whitley Central Primary.
 - All buildings in the District continue to utilize Automated Logic, a digital energy control system.
 - Purchase of Student Response systems to aid in teacher evaluation of student comprehension.
 - Set-up Audio and Video conferencing for District meetings
 - Continued implementation of a data driven instructional framework to provide instructional support for at risk students. This framework is based on Response to Intervention models and is designed to pinpoint the needs of students who are functioning at academic levels below their peers.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The Special Education Department has refined the implementation phase of its initiative to enhance the delivery of specially designed instruction for students identified with special needs:

- Special education personnel have been trained to use data to drive the development of Individual Education Plans. Using weekly progress data from AIMSweb, special education personnel are collecting performance data and are using the data collected to respond to the needs of the student. Under the direction of the ARC, personnel response may include changing the type and degree of intervention received and/or changing the location of the setting in which services are delivered. By doing so, the Special Education Program ensures that services are not stagnant. Special educational personnel continue to implement SRA's Reading Mastery and Corrective Reading programs for all K-8 special education students that qualify for specially designed instruction in the area of reading to improve reading performance district wide. Student's not responding to SRA are being offered additional reading intervention through RAVE-O or Read-Well. Regarding math, special education personnel have been trained and are implementing Envision Math and Focus Math to improve mathematics performance district-wide. Teachers continue to report significant gains in grades K-8. Results will continue to be monitored to validate the effectiveness of the programs.
- RTI Workgroups are district- and school-wide brainstorming sessions that analyze student needs and help determine the appropriate specially designed interventions to meet that individual student's area of need based on data. Using AIMSweb, special education teachers are critically evaluating student response to specially designed instruction and selecting interventions according to rates of improvement. This has improved the eligibility decisions for relevant students.
- Although the ASD Cadre has been discontinued by the Special Education Cooperative under the direction of the Kentucky Department of Education, previously trained members are continuing to target the learning needs of students identified with Autism Spectrum Disorder. District personnel are exhibiting proficiency in the 24 evidence-based practices that are used/implemented with a student diagnosed with ASD in our school district and a system has been established to process referrals supporting the allocation of resources when meeting the needs of students with ASD.
- Special Education Tech Academy is a within district technology awareness forum, under the collaboration of the Special Education and Technology Departments, setup for resource teachers who teach students with special needs. This forum provides on-going hands-on training about a variety of technology equipment that can be utilized within the classroom. This academy has also been instrumental in providing and supporting the educational use of mobile Special Education iPad labs in every school within the District. Furthermore, this academy has resulted in the creation of an iPad Application Request Procedure that improves the efficiency of installing individualized iPad applications for individualized learning needs of students.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$4,074,301 in 2013 and \$4,497,227 in 2012. This is a decrease of \$422,926. Restricted funds comprised \$4,177,524 of the cash balance at June 30, 2013 as compared to \$3,209,897 at June 30, 2012. General Fund cash decreased \$959,852 from 2012 to 2013, and the Special Revenue Fund cash deficit increased \$176,738 from 2012 to 2013.
- A concerted effort was focused on purchasing in the areas of supplies, food, and travel. This resulted in several economies due to changed management strategies.

WHITLEY COUNTY SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

- Earnings on investments decreased \$70,191 due to expending available monies on construction projects.
- The General Fund had \$33,827,557 in revenue (excluding interfund transfers and proceeds from sale of assets), which primarily consisted of the state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there were \$34,641,404 in General Fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and management of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary fund is vending and food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13 through 23 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 24 through 40 of this report.

WHITLEY COUNTY SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, general equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2013

Fiscal year 2013 government-wide net position compared to 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Current assets	\$ 6,353,645	\$ 6,808,835
Capital assets	<u>49,307,629</u>	<u>49,425,234</u>
Total Assets	<u>\$ 55,661,274</u>	<u>\$ 56,234,069</u>
Current liabilities	\$ 3,128,167	\$ 2,472,110
Noncurrent liabilities	<u>27,547,119</u>	<u>27,986,624</u>
Total Liabilities	<u>\$ 30,675,286</u>	<u>\$ 30,458,734</u>
Net position		
Investment in capital assets, net of related debt	\$ 20,499,004	\$ 20,837,433
Restricted	3,902,008	3,661,890
Unrestricted	<u>584,976</u>	<u>1,276,012</u>
Total Net Position	<u>\$ 24,985,988</u>	<u>\$ 25,775,335</u>

The most significant change in the financial position of the District since the last audit was the decrease in cash and cash equivalents in the amount of \$422,926. The District also had an overall increase in liabilities in the amount of \$216,552. The investment in capital assets, net of related debt had a decrease in the amount of \$338,429.

The following table presents a summary of revenues and expenditures, for Governmental Funds only, for the fiscal years ended June 30:

	<u>2013</u>	<u>Percent</u>	<u>2012</u>	<u>Percent</u>
REVENUES				
Local revenue sources	\$ 5,289,629	11.50%	\$ 5,297,936	11.36%
State revenue sources	33,145,727	72.05	33,662,486	72.18
Federal revenue sources	6,142,409	13.35	7,537,170	16.16
Operating transfers (net)	405,375	.88	129,978	.28
Proceeds from sale of assets	445	-	10,181	.02
Bond proceeds	<u>1,020,000</u>	<u>2.22</u>	-	-
Total revenues	<u>46,003,585</u>	<u>100.00</u>	<u>46,637,751</u>	<u>100.00</u>

WHITLEY COUNTY SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

	<u>2013</u>	<u>Percent</u>	<u>2012</u>	<u>Percent</u>
EXPENDITURES				
Instruction	29,096,385	63.25	30,218,814	64.80
Student support services	1,132,900	2.46	1,233,404	2.65
Instruction staff	1,988,717	4.32	1,918,230	4.11
District administration	1,246,118	2.71	1,039,681	2.23
School administration	1,558,448	3.39	1,527,227	3.27
Business	842,416	1.83	826,542	1.77
Plant operations and maintenance	3,047,414	6.62	3,172,741	6.80
Student transportation	3,159,373	6.87	3,315,397	7.11
Building acquisitions and construction	1,122,452	2.44	2,411,675	5.17
Building improvements	768,964	1.67	-	-
Food service operation	4,767	.01	5,057	.01
Community services activities	583,410	1.27	590,111	1.27
Architectural/engineering	-	-	2,250	-
Bond – call premiums/issuance costs/fees	39,000	.08	69,150	.15
Debt service/lease payments	<u>2,469,106</u>	<u>5.37</u>	<u>9,660,988</u>	<u>20.72</u>
Total expenditures	<u>47,059,470</u>	<u>102.29</u>	<u>55,991,267</u>	<u>120.06</u>
Excess revenues (expenditures)	<u>\$(1,055,885)</u>	<u>(2.29)%</u>	<u>\$ (9,353,516)</u>	<u>(20.06)%</u>

The majority of the District's revenue was derived from state revenue sources making up 72.05% of their revenue in 2013 as compared to 72.18% in 2012. Federal revenue sources comprised 13.35% in 2013 as compared to 16.16% in 2012. Bond proceeds comprised 2.22% of the revenue in 2013.

Instruction expenditures comprised 63.25% of the District's expenses for 2013 as compared to 64.80% in 2012. Student transportation comprised 6.87% of the District's expenses for 2013 as compared to 7.11% in 2012. Plant operations and maintenance comprised 6.62% of the District's expenses for 2013 as compared to 6.80% in 2012. Capital assets of \$2,168,769 were charged to expenditures in 2013 as compared to \$2,865,421 in 2012.

Comments on Budget Comparisons

- The District's total general fund revenues for the fiscal year ended June 30, 2013 were \$33,827,557.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual balance being \$7,974,386 more than budget or 30.84%. This is due primarily to recording on-behalf payments made by the State of Kentucky of \$7,789,241 that were not budgeted. When these are eliminated, revenues compared to budget were \$185,145 or .72% more than anticipated.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2013 was \$34,641,404.
- General fund budget expenditures to actual varied significantly in instruction support with them being \$7,215,959 over budget. Student transportation closed with a budget deficit of \$725,767. These were due primarily to on-behalf payments of \$7,789,241 which were not budgeted. When these are eliminated, ~~expenses~~ *expenditures* compared to budget were \$665,794 or 2.42% less than budget.

In Kentucky, the public school fiscal year is July 1 to June 30. Other programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted the original 2012-13 budget with \$956,481 in contingency (3.48%). The final District budget adopted was not changed.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

Future Budget Implications

The District adopted a budget for 2013-14 with \$1,560,220 in contingency (3.2%). Significant Board action that impacts the finances includes the funding of extra-curricular activities, KETS matching funds, KISTA lease bus obligations, and construction of the new Pleasant View Elementary School.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent or to Leigh Burke, Chief Financial Officer, at (606) 549-7000 or by mail at 300 Main Street, Williamsburg, KY 40769.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF NET POSITION
June 30, 2013

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
CURRENT ASSETS			
Cash and cash equivalents	\$ 3,668,095	\$ 406,206	\$ 4,074,301
Accounts receivable:			
Taxes – current	359,300	-	359,300
Accounts receivable	201,492	8,344	209,836
Intergovernmental – state	176,244	-	176,244
Intergovernmental – federal	1,233,586	183,830	1,417,416
Materials and supplies inventory	-	116,548	116,548
Total current assets	<u>5,638,717</u>	<u>714,928</u>	<u>6,353,645</u>
NONCURRENT ASSETS			
Capital assets, net	<u>48,921,217</u>	<u>386,412</u>	<u>49,307,629</u>
Total noncurrent assets	<u>48,921,217</u>	<u>386,412</u>	<u>49,307,629</u>
TOTAL ASSETS	<u>54,559,934</u>	<u>1,101,340</u>	<u>55,661,274</u>
<u>LIABILITIES AND NET POSITION</u>			
CURRENT LIABILITIES			
Accounts payable	974,409	5,683	980,092
Construction retainage payable	110,147	-	110,147
Matured coupons outstanding	52,416	-	52,416
Accrued wages and benefits	487,370	-	487,370
Deferred revenue	98,868	-	98,868
Current portion of bond obligations	1,325,000	-	1,325,000
Current portion of lease obligations	74,274	-	74,274
Total current liabilities	<u>3,122,484</u>	<u>5,683</u>	<u>3,128,167</u>
NONCURRENT LIABILITIES			
Noncurrent portion of bond obligations	26,947,801	-	26,947,801
Noncurrent portion of lease obligations	461,550	-	461,550
Noncurrent portion of accrued sick leave	137,768	-	137,768
Total noncurrent liabilities	<u>27,547,119</u>	<u>-</u>	<u>27,547,119</u>
TOTAL LIABILITIES	<u>30,669,603</u>	<u>5,683</u>	<u>30,675,286</u>
NET POSITION			
Investment in capital assets, net of related debt	20,112,592	386,412	20,499,004
Restricted	3,192,763	709,245	3,902,008
Unrestricted	584,976	-	584,976
TOTAL NET POSITION	<u>\$ 23,890,331</u>	<u>\$ 1,095,657</u>	<u>\$ 24,985,988</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
GOVERNMENTAL ACTIVITIES:				
Instruction	\$30,394,284	\$ -	\$17,922,665	\$ -
Support services:				
Student	1,143,049	-	-	-
Instructional staff	1,996,426	-	-	-
District administration	1,260,816	-	-	-
School administration	1,502,829	-	-	-
Business	860,609	-	-	-
Plant operations and maintenance	3,166,008	-	-	-
Student transportation	3,520,617	-	-	-
Building improvements	108,240	-	-	-
Food service	4,767	-	-	-
Community services activities	583,884	-	-	-
Interest on long-term debt	1,054,454	-	-	-
Bond fees	39,000	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$45,634,983</u>	<u>\$ -</u>	<u>\$17,922,665</u>	<u>\$ -</u>
BUSINESS-TYPE ACTIVITIES:				
Food service	\$ 3,522,962	\$ 244,159	\$ 3,142,622	\$ -
Day care	201,994	115,080	82,864	-
Community education	156	-	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 3,725,112</u>	<u>\$ 359,239</u>	<u>\$ 3,225,486</u>	<u>\$ -</u>
TOTAL PRIMARY GOVERNMENT	<u>\$49,360,095</u>	<u>\$ 359,239</u>	<u>\$21,148,151</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**NET (EXPENSES) REVENUES AND
CHANGES IN NET POSITION**

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (12,471,619)		\$ (12,471,619)
(1,143,049)		(1,143,049)
(1,996,426)		(1,996,426)
(1,260,816)		(1,260,816)
(1,502,829)		(1,502,829)
(860,609)		(860,609)
(3,166,008)		(3,166,008)
(3,520,617)		(3,520,617)
(108,240)		(108,240)
(4,767)		(4,767)
(583,884)		(583,884)
(1,054,454)		(1,054,454)
(39,000)		(39,000)
<u>(27,712,318)</u>		<u>(27,712,318)</u>
	\$ (136,181)	(136,181)
	(4,050)	(4,050)
	<u>(156)</u>	<u>(156)</u>
	<u>(140,387)</u>	<u>(140,387)</u>
		<u>(27,852,705)</u>

GENERAL REVENUES

Taxes			
Property	2,453,400	-	2,453,400
Motor vehicle	646,575	-	646,575
Utilities	1,306,179	-	1,306,179
Revenue in lieu of taxes	46,866	-	46,866
State and formula grants	21,365,471	-	21,365,471
Earnings on investments	91,292	9,702	100,994
Loss on sale of fixed assets	(6,819)	-	(6,819)
Other local revenues	745,317	-	745,317
Total general revenues	<u>26,648,281</u>	<u>9,702</u>	<u>26,657,983</u>
Operating transfers (net)	405,375	-	405,375
Total general revenues and transfers	<u>27,053,656</u>	<u>9,702</u>	<u>27,063,358</u>
Change in net position	(658,662)	(130,685)	(789,347)
Net position, July 1, 2012	24,548,993	1,226,342	25,775,335
Net position, June 30, 2013	<u>\$ 23,890,331</u>	<u>\$ 1,095,657</u>	<u>\$ 24,985,988</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES				
Cash and cash equivalents	\$ 798,519	\$(1,307,948)	\$ 4,177,524	\$ 3,668,095
Accounts receivable:				
Taxes – current	359,300	-	-	359,300
Accounts receivable	188,213	13,279	-	201,492
Intergovernmental – state	-	176,244	-	176,244
Intergovernmental – federal	-	1,233,586	-	1,233,586
TOTAL ASSETS AND RESOURCES	<u>\$ 1,346,032</u>	<u>\$ 115,161</u>	<u>\$ 4,177,524</u>	<u>\$ 5,638,717</u>
LIABILITIES				
Accounts payable	\$ 87,581	\$ 16,293	\$ 870,535	\$ 974,409
Construction retainage payable	-	-	110,147	110,147
Matured coupons outstanding	-	-	52,416	52,416
Accrued wages and benefits	487,370	-	-	487,370
Deferred revenue	-	98,868	-	98,868
TOTAL LIABILITIES	<u>574,951</u>	<u>115,161</u>	<u>1,033,098</u>	<u>1,723,210</u>
FUND BALANCES				
Unassigned	584,976	-	-	584,976
Restricted				
Sick leave payable	68,884	-	-	68,884
SFCC escrow – prior offer	-	-	72,655	72,655
Future construction projects (BG-1)	-	-	1,826,882	1,826,882
Debt service	-	-	1,244,889	1,244,889
Committed				
Other lease obligations	74,274	-	-	74,274
Assigned				
Purchase obligations	42,947	-	-	42,947
TOTAL FUND BALANCES	<u>771,081</u>	<u>-</u>	<u>3,144,426</u>	<u>3,915,507</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,346,032</u>	<u>\$ 115,161</u>	<u>\$ 4,177,524</u>	<u>\$ 5,638,717</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2013

Total Fund Balances per fund financial statements		\$ 3,915,507
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, but they are reported in the statement of net position.		48,921,217
Certain liabilities, such as bonds payable, the long-term portion of accrued sick leave and lease obligations are not reported in this fund financial statement because they are not due and payable in the current period, but they are presented in the statement of net position:		
Accrued sick leave	\$ (137,768)	
Bonds payable	(28,272,801)	
Lease obligations	<u>(535,824)</u>	<u>(28,946,393)</u>
Total Net Position for Governmental Activities		<u>\$ 23,890,331</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General Fund	Special Revenue
REVENUES		
From local sources:		
Taxes		
Property	\$ 2,190,717	\$ -
Motor vehicle	646,575	-
Utilities	1,306,179	-
Earnings on investments	43,286	1,894
Other local revenues	313,363	478,820
Intergovernmental – state	29,276,203	1,880,091
Intergovernmental – indirect federal	51,234	5,589,931
Intergovernmental – direct federal	-	72,109
TOTAL REVENUES	<u>33,827,557</u>	<u>8,022,845</u>
EXPENDITURES		
Instruction	22,341,345	6,755,040
Support services:		
Student	1,077,326	55,574
Instructional staff	1,224,879	763,838
District administration	1,240,510	5,608
School administration	1,513,809	44,639
Business	842,416	-
Plant operations and maintenance	3,047,414	-
Student transportation	3,159,373	-
Building acquisitions and construction	-	-
Building improvements	-	-
Food service operation	4,767	-
Community services activities	91,586	491,824
Payment of bonds/debt service	-	-
Payment of lease obligation	79,652	-
Payment of interest	18,327	-
TOTAL EXPENDITURES	<u>34,641,404</u>	<u>8,116,523</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(813,847)</u>	<u>(93,678)</u>
OTHER FINANCING SOURCES (USES)		
Bond proceeds	-	-
Bond fees/issuance costs	-	-
Operating transfers in	121,306	93,678
Operating transfers out	(109,609)	-
Proceeds from sale of assets	445	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>12,142</u>	<u>93,678</u>
NET CHANGES IN FUND BALANCES	(801,705)	-
FUND BALANCES, JULY 1, 2012	<u>1,572,786</u>	-
FUND BALANCES, JUNE 30, 2013	<u>\$ 771,081</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 262,683	\$ 2,453,400
-	646,575
-	1,306,179
46,112	91,292
-	792,183
1,989,433	33,145,727
-	5,641,165
<u>429,135</u>	<u>501,244</u>
<u>2,727,363</u>	<u>44,577,765</u>
-	29,096,385
-	1,132,900
-	1,988,717
-	1,246,118
-	1,558,448
-	842,416
-	3,047,414
-	3,159,373
1,122,452	1,122,452
768,964	768,964
-	4,767
-	583,410
1,335,000	1,335,000
-	79,652
<u>1,036,127</u>	<u>1,054,454</u>
<u>4,262,543</u>	<u>47,020,470</u>
<u>(1,535,180)</u>	<u>(2,442,705)</u>
1,020,000	1,020,000
(39,000)	(39,000)
5,384,494	5,599,478
(5,084,494)	(5,194,103)
-	445
<u>1,281,000</u>	<u>1,386,820</u>
(254,180)	(1,055,885)
<u>3,398,606</u>	<u>4,971,392</u>
<u>\$ 3,144,426</u>	<u>\$ 3,915,507</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Total Net Change In Fund Balances – per fund financial statements	\$ (1,055,885)
--	-----------------------

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives as depreciation expense.

Depreciation	\$ (2,219,164)	
Capital outlays	<u>2,168,769</u>	(50,395)

In the statement of activities, gain (loss) is recorded on the sale of assets, whereas in governmental funds, only the proceeds are reported.	(7,264)
--	---------

Bond proceeds are reported as other financing sources in the governmental funds but are shown as an increase in long-term liabilities in the statement of net position.	(1,020,000)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not result in an expense in the statement of activities.	1,335,000
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Payments on lease obligations are an expenditure in the governmental funds, but the payments reduce noncurrent lease obligations in the statement of net position and do not result in an expense in the statement of activities.	79,652
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds, such as accrued sick leave.	<u>60,230</u>
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Change In Net Position of Governmental Activities	<u>\$ (658,662)</u>
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The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Favorable or (Unfavorable)
	Original	Final		
REVENUES				
From local sources:				
Taxes				
Property	\$ 2,100,000	\$ 2,100,000	\$ 2,190,717	\$ 90,717
Motor vehicle	625,000	625,000	646,575	21,575
Utilities	1,200,000	1,200,000	1,306,179	106,179
Earnings on investments	50,000	50,000	43,286	(6,714)
Other local revenues	392,700	392,700	313,363	(79,337)
Intergovernmental – state	21,385,471	21,385,471	29,276,203	7,890,732
Intergovernmental – indirect federal	100,000	100,000	51,234	(48,766)
TOTAL REVENUES	<u>25,853,171</u>	<u>25,853,171</u>	<u>33,827,557</u>	<u>7,974,386</u>
EXPENDITURES				
Instruction	15,125,386	15,125,386	22,341,345	(7,215,959)
Support services:				
Student	1,059,051	1,059,051	1,077,326	(18,275)
Instructional staff	1,214,022	1,214,022	1,224,879	(10,857)
District administration	1,158,242	1,158,242	1,240,510	(82,268)
School administration	1,491,678	1,491,678	1,513,809	(22,131)
Business	593,219	593,219	842,416	(249,197)
Plant operations and maintenance	3,399,730	3,399,730	3,047,414	352,316
Student transportation	2,433,606	2,433,606	3,159,373	(725,767)
Food service operation	2,600	2,600	4,767	(2,167)
Community services activities	83,942	83,942	91,586	(7,644)
Architectural/engineering	-	-	-	-
Debt service	-	-	97,979	(97,979)
Contingency	956,481	956,481	-	956,481
TOTAL EXPENDITURES	<u>27,517,957</u>	<u>27,517,957</u>	<u>34,641,404</u>	<u>(7,123,447)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,664,786)</u>	<u>(1,664,786)</u>	<u>(813,847)</u>	<u>850,939</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	179,500	179,500	121,306	(58,194)
Operating transfers out	(95,000)	(95,000)	(109,609)	(14,609)
Proceeds from sale of assets	7,500	7,500	445	(7,055)
TOTAL OTHER FINANCING SOURCES (USES)	<u>92,000</u>	<u>92,000</u>	<u>12,142</u>	<u>(79,858)</u>
NET CHANGES IN FUND BALANCE	<u>(1,572,786)</u>	<u>(1,572,786)</u>	<u>(801,705)</u>	<u>771,081</u>
FUND BALANCE, JULY 1, 2012	<u>1,572,786</u>	<u>1,572,786</u>	<u>1,572,786</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 771,081</u>	<u>\$ 771,081</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
SPECIAL REVENUE FUND
Year Ended June 30, 2013

	Budgeted Amounts			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Favorable or (Unfavorable)
REVENUES				
From local sources:				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Motor vehicle	-	-	-	-
Utilities	-	-	-	-
Earnings on investments	-	-	1,894	1,894
Other local revenues	473,767	473,767	478,820	5,053
Intergovernmental – state	1,699,288	1,699,288	1,880,091	180,803
Intergovernmental – federal	4,312,689	4,312,689	5,662,040	1,349,351
TOTAL REVENUES	<u>6,485,744</u>	<u>6,485,744</u>	<u>8,022,845</u>	<u>1,537,101</u>
EXPENDITURES				
Instruction	5,363,930	5,363,930	6,755,040	(1,391,110)
Support services:				
Student	161,643	161,643	55,574	106,069
Instructional staff	529,578	529,578	763,838	(234,260)
District administration	-	-	5,608	(5,608)
School administration	36,817	36,817	44,639	(7,822)
Plant operations and maintenance	-	-	-	-
Community services activities	488,776	488,776	491,824	(3,048)
TOTAL EXPENDITURES	<u>6,580,744</u>	<u>6,580,744</u>	<u>8,116,523</u>	<u>(1,535,779)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(95,000)</u>	<u>(95,000)</u>	<u>(93,678)</u>	<u>1,322</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	95,000	95,000	93,678	(1,322)
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>95,000</u>	<u>95,000</u>	<u>93,678</u>	<u>(1,322)</u>
NET CHANGES IN FUND BALANCE	-	-	-	-
FUND BALANCE, JULY 1, 2012	-	-	-	-
FUND BALANCE, JUNE 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

<u>ASSETS</u>	<u>Food Service</u>	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 406,181	\$ -	\$ 25	\$ 406,206
Materials and supplies inventory	116,548	-	-	116,548
Accounts receivable:				
Accounts receivable	4,473	3,871	-	8,344
Intergovernmental – federal	183,830	-	-	183,830
Total current assets	<u>711,032</u>	<u>3,871</u>	<u>25</u>	<u>714,928</u>
NONCURRENT ASSETS				
Capital assets, net	<u>386,412</u>	<u>-</u>	<u>-</u>	<u>386,412</u>
TOTAL ASSETS	<u>1,097,444</u>	<u>3,871</u>	<u>25</u>	<u>1,101,340</u>
<u>LIABILITIES AND NET POSITION</u>				
CURRENT LIABILITIES				
Accounts payable	<u>5,683</u>	<u>-</u>	<u>-</u>	<u>5,683</u>
Total current liabilities	<u>5,683</u>	<u>-</u>	<u>-</u>	<u>5,683</u>
NET POSITION				
Investment in capital assets	386,412	-	-	386,412
Nonspendable – inventories	116,548	-	-	116,548
Prior year encumbrances	16,414	-	-	16,414
Restricted	<u>572,387</u>	<u>3,871</u>	<u>25</u>	<u>576,283</u>
TOTAL NET POSITION	<u>\$ 1,091,761</u>	<u>\$ 3,871</u>	<u>\$ 25</u>	<u>\$ 1,095,657</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

	Food Service	Day Care	Community Education	Total
OPERATING REVENUES				
Tuition and fees	\$ -	\$ 115,080	\$ -	\$ 115,080
Sales	<u>244,159</u>	<u>-</u>	<u>-</u>	<u>244,159</u>
TOTAL OPERATING REVENUES	<u>244,159</u>	<u>115,080</u>	<u>-</u>	<u>359,239</u>
OPERATING EXPENSES				
Salaries	972,177	104,733	-	1,076,910
Employee benefits	656,447	108,767	-	765,214
Purchased services	9,578	2,410	-	11,988
Supplies and materials	1,394,145	2,015	156	1,396,316
Depreciation	69,309	-	-	69,309
Operating transfers (net)	<u>421,306</u>	<u>(15,931)</u>	<u>-</u>	<u>405,375</u>
TOTAL OPERATING EXPENSES	<u>3,522,962</u>	<u>201,994</u>	<u>156</u>	<u>3,725,112</u>
OPERATING INCOME (LOSS)	<u>(3,278,803)</u>	<u>(86,914)</u>	<u>(156)</u>	<u>(3,365,873)</u>
NON-OPERATING REVENUES (EXPENSES)				
Operating grants – federal	2,541,259	-	-	2,541,259
Operating grants – state	439,691	82,864	-	522,555
Donated commodities	161,672	-	-	161,672
Interest income	<u>9,701</u>	<u>-</u>	<u>1</u>	<u>9,702</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>3,152,323</u>	<u>82,864</u>	<u>1</u>	<u>3,235,188</u>
CHANGES IN NET POSITION	(126,480)	(4,050)	(155)	(130,685)
NET POSITION, JULY 1, 2012	<u>1,218,241</u>	<u>7,921</u>	<u>180</u>	<u>1,226,342</u>
NET POSITION, JUNE 30, 2013	<u>\$ 1,091,761</u>	<u>\$ 3,871</u>	<u>\$ 25</u>	<u>\$ 1,095,657</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

	<u>Food Service</u>	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from tuition and fees	\$ -	\$ 119,142	\$ -	\$ 119,142
Cash received from sales	243,186	-	-	243,186
Cash payments for salaries and employee benefits	(1,628,624)	(213,500)	-	(1,842,124)
Cash payments for purchased services	(9,578)	(2,410)	-	(11,988)
Cash payments for supplies and materials	(1,425,702)	(2,027)	(156)	(1,427,885)
Cash payments for other operating expenses	(421,306)	15,931	-	(405,375)
Net cash provided (used) by operating activities	<u>(3,242,024)</u>	<u>(82,864)</u>	<u>(156)</u>	<u>(3,325,044)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(9,363)	-	-	(9,363)
Net cash provided (used) by capital and related financing activities	<u>(9,363)</u>	<u>-</u>	<u>-</u>	<u>(9,363)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of interest	9,701	-	1	9,702
Receipt of grants	2,826,236	82,864	-	2,909,100
Receipt of donated commodities	161,672	-	-	161,672
Net cash provided (used) by investing activities	<u>2,997,609</u>	<u>82,864</u>	<u>1</u>	<u>3,080,474</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(253,778)	-	(155)	(253,933)
CASH AND CASH EQUIVALENTS, JULY 1, 2012	<u>659,959</u>	<u>-</u>	<u>180</u>	<u>660,139</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2013	<u>\$ 406,181</u>	<u>\$ -</u>	<u>\$ 25</u>	<u>\$ 406,206</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (3,278,803)	\$ (86,914)	\$ (156)	\$ (3,365,873)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Depreciation	69,309	-	-	69,309
Changes in assets and liabilities:				
Accounts receivable	(973)	4,062	-	3,089
Inventory	(32,661)	-	-	(32,661)
Accounts payable	1,104	(12)	-	1,092

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
Year Ended June 30, 2013

	<u>Food Service</u>	<u>Day Care</u>	<u>Community Education</u>	<u>Total</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (3,242,024)</u>	<u>\$ (82,864)</u>	<u>\$ (156)</u>	<u>\$ (3,325,044)</u>
SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Donated commodities received from federal government				<u>\$ 161,672</u>
On-behalf payments from state government				<u>\$ 497,185</u>

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2013

ASSETS

AGENCY

CURRENT ASSETS

Cash and cash equivalents

\$ 386,556

Accounts receivable

1,080

TOTAL ASSETS

387,636

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable

18,150

Due to students

369,486

TOTAL LIABILITIES

387,636

NET POSITION

\$ -

The accompanying notes are an integral part of these financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies that affect the significant elements of the Whitley County School District are summarized as follows:

REPORTING ENTITY

The Whitley County Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Whitley County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB pronouncement since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Whitley County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statement of the following organization is included in the accompanying financial statements:

WHITLEY COUNTY SCHOOL DISTRICT FINANCE CORPORATION

The Whitley County Board of Education resolved to authorize the establishment of the Whitley County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Board Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The Board members of the Whitley County Board of Education also comprise the corporation's Board of Directors.

BASIS OF PRESENTATION

Government-Wide Financial Statements: The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between governmental and business-type activities of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service,

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements: Fund financial statements report detailed information about the District. Their focus is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund's operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 46 through 48. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by the Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

(D) Debt Service Funds

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contributions of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

- (B) The Day Care Fund is used to account for the day care operations of the District.
- (C) The Community Education Fund is used to account for community education provided by the District.

III. Fiduciary Fund Type (Agency Fund)

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. This fund is accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary and fiduciary funds.

Revenues, Exchange and Nonexchange Transactions: Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the fiscal year when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year end.

WHITLEY COUNTY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue: The District reports deferred revenue on its statement of net position and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are "intended to finance" future periods are reported as deferred revenue. In subsequent periods, the liability for deferred revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenditures/Expenses: On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on a flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. The cash and investment pool has the same characteristics as demand deposits. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents in that fund. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The monies are either maintained in a central bank account or used to purchase legal investments.

It is the policy of the District to value investment contracts and money market investments with a maturity of one year or less at the time of purchase at cost or amortized cost. Investment contracts and money market investments that have a remaining maturity of greater than one year at the time of purchase are reported at fair value.

The Kentucky Revised Statutes authorize the District to invest in United States and State of Kentucky bonds, notes and other obligations; bank certificates of deposit; bankers' acceptances; and commercial paper notes rated prime that are issued by United States corporations. It is the District's policy to invest in all of the above types of investments. Under existing Kentucky statutes, all investment earnings accrue to the general and food service funds except certain trust funds and those funds individually authorized by Board resolution.

PREPAID ASSETS/EXPENDITURES

Payments made that will benefit periods beyond June 30, 2013 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

INVENTORY

On government-wide financial statements, inventories are presented at cost or using the first in, first out (FIFO) method and are expensed when used.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On fund financial statements, inventories are valued at cost while inventories of proprietary funds are stated at lower of cost or market. For all funds, cost is determined using the FIFO method and is determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time of purchase. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they do not represent available spendable resources. Inventories of proprietary funds consist of donated and purchased food.

CAPITAL ASSETS AND DEPRECIATION

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by proprietary funds are reported on both statement types.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District adheres to the property inventory procedures developed by the Kentucky Department of Education. Fixed assets (real property) with an acquisition value of \$5,000 or more that have useful lives of more than one year are capitalized. All computer workstations and laptops, regardless of value, are capitalized. Additional items may also be designated by the District as capital assets. Fixed assets no longer needed or useable are disposed of in compliance with Board policy and applicable legal requirements.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental fund capital assets and proprietary fund capital assets:

<u>Description</u>	<u>Useful Life</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
General equipment	7 years
Other	10 years

INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Sales of goods and services between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as operating expenses (net) in proprietary funds.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

ACCUMULATED UNPAID SICK LEAVE BENEFITS

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements and state laws.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is not recorded. For proprietary funds, the entire amount of compensated absences is recorded as an expense and liability of the fund.

ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

The District recognizes as revenues and expenses contributions made by the State of Kentucky for health insurance and flexible spending accounts on behalf of the District's employees. In fiscal year 2013, the State made contributions of \$8,286,426, consisting of \$7,789,241 for governmental funds and \$497,185 for proprietary funds.

ACCRUED LIABILITIES AND LONG-TERM DEBT

All accrued liabilities and long-term debt are reported in the government-wide financial statements as well as the proprietary fund financial statements.

For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date, regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

RESTRICTED RESOURCES

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

NET POSITION

Net position in government-wide and proprietary fund financial statements is classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through state statute.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraint placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

- *Inventories* – Portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Fund Balance – This classification includes revenue sources that are restricted to specific purposes externally imposed by creditors, grantors or imposed by law.

Committed Fund Balance – Portion of fund balance that can only be used for specific purposes imposed by a majority vote of the Whitley County School District's Board members. Any changes or removal of specific purposes also requires majority action by the Board.

Assigned Fund Balance – Portion of fund balance that has been budgeted by the Board.

- *Purchase Obligations* – Portion of fund balance that is appropriated in the subsequent year's budget that is not already classified in restricted or committed.
- *Site Base* – Portion of fund balance that has been budgeted for future site base expenditures.

Unassigned Fund Balance – Portion of fund balance that has not been restricted, committed or assigned for a specific purpose.

OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and tuition and fees charged for the day-care operations.

CONTRIBUTIONS OF CAPITAL

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

BUDGETARY PROCESS

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not after fiscal year end as dictated by law.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 – CASH AND CASH EQUIVALENTS

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All unencumbered budget appropriations lapse at year end.

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation insurance.

Under the depository contract, the District, at its own discretion, invests funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At June 30, 2013, the carrying amount of the District's deposits (cash and cash equivalents) was \$4,074,301 and the bank balance was \$5,813,294. The entire bank balance throughout the year was covered by federal depository insurance or by collateral held by the District's agent in the District's name.

The deposits were deemed collateralized under Kentucky Law during the year and the District maintains copies of all safekeeping receipts. The following is disclosed:

- a. Name of banks utilized during fiscal year: Community Trust Bank, U.S. Bank, The Bank of New York Trust Co., N.A., BNY Mellon and First and Farmers National Bank.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$8,988,291.
- c. Largest cash, savings and time deposit combined account balance amounted to \$7,971,679 and occurred during the month of July 2012.
- d. Total amount of FDIC coverage at the time of largest combined balance was \$250,000 per bank.

The cash deposits held at financial institutions can be categorized according to three levels of risk.

These three levels of risk are as follows:

- | | |
|------------|---|
| Category 1 | Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District's name. |
| Category 2 | Deposits, which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. |
| Category 3 | Deposits which are not collateralized or insured. |

Based on these three levels of risk, all of the District's cash deposits are classified as Category 1 and 2.

NOTE 3 – PROPERTY TAXES

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. The assessed value of the certified roll, upon which the

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 – PROPERTY TAXES (CONTINUED)

levy for the 2013 fiscal year was based, was \$649,365,692. The tax rates assessed for the year ended June 30, 2013 to finance general fund operations were \$.386 per \$100 valuation for real property and \$.398 per \$100 valuation for tangible property. Taxes are due on October 1, and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2013 were eighty four percent of the tax levy. Delinquent taxes are allocated to the general fund. The District records taxes receivable only for the amounts collected during the next sixty days from its fiscal year end.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

At June 30, 2013, the components of taxes receivable were as follows:

Motor vehicle tax	\$ 41,490
PSC property tax	206,160
Delinquent property tax	13,097
Utilities tax	98,524
General property tax	29
	<u>\$ 359,300</u>

NOTE 4 – RECEIVABLES

Receivables at June 30, 2013 consisted of taxes, accounts (rent and student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

NOTE 5 – CAPITAL ASSETS

A summary of capital assets activity during the fiscal year follows:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
GOVERNMENTAL ACTIVITIES				
Construction in progress	\$ -	\$ 1,783,177	\$ -	\$ 1,783,177
Land	1,410,839	-	-	1,410,839
Land improvements	1,416,757	-	-	1,416,757
Buildings and improvements	57,769,664	-	-	57,769,664
Technology equipment	5,286,356	322,462	175,526	5,433,292
Vehicles	6,300,993	5,981	-	6,306,974
General equipment	2,839,101	57,149	-	2,896,250
Infrastructure	608,460	-	-	608,460
Totals at cost	<u>75,632,170</u>	<u>2,168,769</u>	<u>175,526</u>	<u>77,625,413</u>
Less accumulated depreciation:				
Land improvements	1,286,384	-	54,302	1,340,686
Buildings and improvements	15,605,076	-	1,009,372	16,614,448
Technology equipment	3,875,540	168,262	586,940	4,294,218
Vehicles	4,371,545	-	371,934	4,743,479

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
General equipment	1,398,489	-	167,418	1,565,907
Infrastructure	116,260	-	29,198	145,458
Total accumulated depreciation	<u>26,653,294</u>	<u>168,262</u>	<u>2,219,164</u>	<u>28,704,196</u>
Governmental activities capital assets, net	<u>\$ 48,978,876</u>	<u>\$ 2,337,031</u>	<u>\$ 2,394,690</u>	<u>\$ 48,921,217</u>
BUSINESS-TYPE ACTIVITIES				
Food service equipment	\$ 1,426,085	\$ 1,304	\$ -	\$ 1,427,389
Technology equipment	<u>32,103</u>	<u>8,059</u>	<u>1,606</u>	<u>38,556</u>
Totals at cost	<u>1,458,188</u>	<u>9,363</u>	<u>1,606</u>	<u>1,465,945</u>
Less accumulated depreciation:				
Food service equipment	983,798	-	67,521	1,051,319
Technology equipment	<u>28,032</u>	<u>1,606</u>	<u>1,788</u>	<u>28,214</u>
Total accumulated depreciation	<u>1,011,830</u>	<u>1,606</u>	<u>69,309</u>	<u>1,079,533</u>
Business-type activities capital assets, net	<u>\$ 446,358</u>	<u>\$ 10,969</u>	<u>\$ 70,915</u>	<u>\$ 386,412</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 1,680,591
Support services:	
Student	10,148
Instructional staff	7,709
District administration	14,698
School administration	1,531
Business	18,193
Plant operation and management	118,594
Student transportation	367,226
Community services activities	474
Total governmental activities	<u>\$ 2,219,164</u>

NOTE 6 – BONDED DEBT AND LEASE OBLIGATIONS

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Whitley County Fiscal Court and the Whitley County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 – BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

The original amount of each issue, the issue date, and interest rates are summarized as follows:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
2002A	\$ 7,915,000	3.15% to 4.8%
2002B	2,045,000	1.75% to 4.125%
2004	1,055,000	1.00% to 3.25%
QZAB 2002	498,801	0%
QZAB 2003	500,000	0%
2006	6,425,000	4.0% to 4.15%
2007	3,265,000	4.05%
2009	3,655,000	1.00% to 3.00%
2010	7,580,000	1.00% to 2.8%
QZAB 2010	1,850,000	5.25%
QSCB 2010	6,324,000	5.25%
2013	1,020,000	.55% to 3.10%

In 1988, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

In 2010, the District issued \$7,580,000 of School Building Refunding Revenue Bonds to refund the Series 2002A Bonds dated February 1, 2002. The Series 2002A Bonds maturing February 1, 2014 and thereafter were called on February 1, 2012 at a price of \$7,146,767, representing \$6,915,000 of principal, \$69,150 for a call premium and \$162,617 of interest.

In 2013, the District issued \$1,020,000 of Energy Conservation Revenue Bonds. After deducting costs of issuance and bond fees in the amount of \$39,000, proceeds in the amount of \$981,000 were deposited into the construction fund.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2013 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Kentucky School Facility Construction Commission</u>		<u>Whitley County School District</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013-14	\$ 372,461	\$ 163,067	\$ 952,539	\$ 433,969	\$ 1,922,036
2014-15	363,924	151,273	971,076	418,755	1,905,028
2015-16	376,167	139,031	993,833	400,446	1,909,477
2016-17	389,226	125,973	1,020,774	378,223	1,914,196
2017-18	403,145	112,053	1,545,656	353,093	2,413,947
2018-19	377,745	98,027	1,582,255	325,161	2,383,188
2019-20	266,212	85,961	1,133,788	298,409	1,784,370
2020-21	276,859	75,313	1,168,141	266,367	1,786,680
2021-22	287,934	64,238	1,212,066	233,284	1,797,522
2022-23	299,595	52,577	840,405	189,292	1,381,869
2023-24	311,879	40,293	878,121	155,506	1,385,799

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 – BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

Year	Kentucky School Facility Construction Commission		Whitley County School District		Total
	Principal	Interest	Principal	Interest	
2024-25	324,743	27,428	920,257	120,150	1,392,578
2025-26	338,139	14,033	956,861	83,176	1,392,209
2026-27	-	-	1,010,000	36,811	1,046,811
2027-28	-	-	90,000	15,482	105,482
2028-29	-	-	75,000	13,083	88,083
2029-30	-	-	80,000	10,908	90,908
2030-31	-	-	85,000	8,548	93,548
2031-32	-	-	95,000	5,998	100,998
2032-33	-	-	100,000	3,100	103,100
	<u>\$ 4,388,029</u>	<u>\$ 1,149,267</u>	<u>\$ 15,710,772</u>	<u>\$ 3,749,761</u>	<u>\$ 24,997,829</u>

The District issued \$1,850,000 of Qualified Zone Academy Bonds, Series 2010. After deducting the bond discount of \$23,125 and various bond fees of \$13,874, proceeds in the amount of \$1,813,001 were deposited into the construction fund for additions and renovations at Whitley County High School. The District also issued \$6,324,000 of Qualified School Construction Bonds, Series 2010. After deducting the bond discount of \$77,469 and various bond fees of \$47,414, proceeds in the amount of \$6,199,117 were deposited into the construction fund for the projects at Whitley County High School.

The above two bond issues were issued as "specified tax credit bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 as codified in various section of the Internal Revenue Code of 1986, as amended. The District has elected to receive a cash subsidy payment from the federal government equal to the lesser of (i) the amount of 100% of the interest payable by the District on each interest payment date on such bonds, or (ii) the amount of interest which would have been payable under such bond on such date if such interest were determined at the applicable credit rate determined under Section 54A(b)(3) of the Code with respect to such bonds had the Bonds been issued as "tax credit bonds" (the "Applicable Credit Rate"). The available cash subsidy payment for the Bonds will be paid directly to the District and will not constitute security for the payment of principal of or any interest on the Bonds.

The following represents the future minimum obligations of the District related to these two issues and include amounts to be paid by the SFCC (School Facility Construction Commission) and the federal government, at June 30, 2013 for debt service (principal and interest):

Year	Whitley County School District	Kentucky School Facility Construction Commission	(ARRA) Direct Pay Interest	Total
	<u>Sinking Fund</u>	<u>Sinking Fund</u>	<u>Interest</u>	
2013-14	\$ 76,398	\$ 23,037	\$ 429,135	\$ 528,570
2014-15	78,206	23,037	429,135	530,378
2015-16	73,627	23,037	429,135	525,799
2016-17	73,750	23,037	429,135	525,922
2017-18	72,560	23,037	429,135	524,732
2018-19	69,792	23,037	429,135	521,964
2019-20	44,591	23,037	429,135	496,763
2020-21	46,800	23,037	429,135	498,972
2021-22	40,311	23,037	429,135	492,483
2022-23	460,145	23,037	429,135	912,317

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 – BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

<u>Year</u>	Whitley County School District <u>Sinking Fund</u>	Kentucky School Facility Construction Commission <u>Sinking Fund</u>	(ARRA) Direct Pay <u>Interest</u>	<u>Total</u>
2023-24	460,198	23,037	429,135	912,370
2024-25	457,247	23,037	429,135	909,419
2025-26	461,241	23,037	429,135	913,413
2026-27	457,877	23,037	429,135	910,049
2027-28	1,402,418	23,037	429,135	1,854,590
2028-29	1,422,823	23,037	429,135	1,874,995
2029-30	900,230	23,037	214,568	1,137,835
	<u>\$ 6,598,214</u>	<u>\$ 391,629</u>	<u>\$ 7,080,728</u>	<u>\$ 14,070,571</u>

The full principal amount of these two issues of \$8,174,000 will be funded through the above sinking fund payments. They are due November 1, 2029 and are included in the noncurrent portion of bond obligations.

In 2009, the District entered into negotiations for the purchase of four school buses. Bonds were issued in the amount of \$374,539 through the KISTA Bond Pool Sizing Second Series of 2009. Interest rates range from 2.0% to 3.9%.

The minimum obligations of the District at June 30, 2013 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013-14	\$ 36,611	\$ 7,628	\$ 44,239
2014-15	37,855	6,529	44,384
2015-16	38,960	5,356	44,316
2016-17	40,203	4,070	44,273
2017-18	34,401	2,663	37,064
2018-19	35,644	1,390	37,034
	<u>\$ 223,674</u>	<u>\$ 27,636</u>	<u>\$ 251,310</u>

During the current fiscal year, bond principal payments in the amount of \$35,644 were paid.

In 2011, the District entered into negotiations for the purchase of four school buses. Bonds were issued in the amount of \$399,347 through the KISTA Bond Pool Sizing First Series of 2011. Interest rates range from 1.0% to 4.0%.

The minimum obligations of the District at June 30, 2013 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013-14	\$ 37,663	\$ 9,147	\$ 46,810
2014-15	38,481	8,488	46,969
2015-16	39,096	7,680	46,776
2016-17	40,119	6,703	46,822
2017-18	41,142	5,600	46,742
2018-19	42,371	4,324	46,695
2019-20	36,025	2,841	38,866
2020-21	37,253	1,490	38,743
	<u>\$ 312,150</u>	<u>\$ 46,273</u>	<u>\$ 358,423</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 – BONDED DEBT AND LEASE OBLIGATIONS (CONTINUED)

During the current fiscal year, bond principal payments in the amount of \$44,008 were paid.

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund is based on premium rates established by such funds in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro-rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund, however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District has been notified by the Kentucky School Boards Insurance Trust (KSBIT) of a liability assessment that will be due in the near term. The preliminary estimated liability assessment provided by KSBIT indicates a range of liability from \$307,134 to \$397,369 for liability insurance and \$467,985 to \$592,247 for worker's compensation. There has been no provision recorded for this assessment in the current year financial statements.

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively rated, which includes workers' compensation insurance.

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). There were no instances of noncompliance noted.

NOTE 8 – RETIREMENT PLANS

Pension Plan

The Whitley County School System contributes to the Teachers' Retirement System of Kentucky ("KTRS"), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 8 – RETIREMENT PLANS (CONTINUED)

KTRS was created by the 1938 General Assembly and is governed by Chapter 181 Section 220 through Chapter 181 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS web site at <http://ktrs.ky.gov/>.

Contribution rates are established by KRS. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 14.105% of salaries for members. The federal program for any salaries paid by that program pays the matching contributions. The Board is required to match 1.0% of salaries for all employees paid by the general fund.

The Whitley County School System's total payroll for the year was \$27,300,846. The payroll for employees covered under KTRS was \$20,431,609. For the year ended June 30, 2013, the Commonwealth contributed \$2,217,850 to KTRS for the benefit of participating employees. The School Districts' contribution to KTRS for the year ending June 30, 2013 was \$567,273, which represents those employees covered by federal programs.

Substantially all other employees (classified personnel) are covered under the County Employees Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% for members before September 1, 2008 and 6% for members after and a Board contribution of 19.55% of the employee's total compensation subject to contribution. The contribution requirement for CERS for the year ended June 30, 2013 was \$1,651,097, which consisted of \$1,317,674 from the Board and \$333,423 from the employees.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

CERS does not make separate measurements of assets and pension benefit obligation for individual employers. As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost of the vested benefits of the District's portion of the Plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District provides a \$100 contribution to eligible participants.

Medical Insurance Plan

In addition to the pension benefits described above, Kentucky Revised Statute 181.875 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 8 – RETIREMENT PLANS (CONTINUED)

The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, one and five tenths percent (1.5%) of the gross annual payroll of all active members is contributed. One-half (1/2) of this amount is derived from member contributions and one-half (1/2) from state appropriation. Also, the premiums collected from retirees, as described in the plan description, and investment interest help meet the medical expenses of the plan.

NOTE 9 – CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

Gilmore v Whitley County Board of Education – The Plaintiff, Tanya Gilmore filed the charge of discrimination due to her belief of not being called for any substitute vacancies by the Whitley County Board of Education after she filed a charge of Age Discrimination on August 31, 2010. The charge of age discrimination was dismissed on March 28, 2011. The Plaintiff claims she was no longer called because of her prior claim and this was retaliation. However, the Plaintiff was hired for the 2010-2011 school year as a substitute for the Middlesboro Independent School District and for that reason she was prevented from working as a substitute teacher with the Whitley County Board of Education. Ms. Gilmore however did remain on the call list for the Whitley County Board of Education. The Whitley County Board of Education states the Plaintiff was called several times and there was no answer. The Principal or the Principal's designees who make the calls to the substitutes did not know of the Plaintiffs charge filed with the EEOC, therefore retaliation was not possible. Also, the telephone numbers provided to the Whitley County Board of Education and the Middlesboro Independent School District were different. A Motion for Summary Judgment will be filed on behalf of the Board. The proposed pretrial conference date is March 3, 2014. The proposed trial date is March 17, 2014.

No provision was made in the accompanying financial statements for any contingent liabilities.

NOTE 10 – DEFICIT OPERATING/FUND BALANCES

The following funds had operations that resulted in current year operating deficits in governmental funds, resulting in corresponding reductions in fund balance, as follows:

FSPK/Building Fund	<u>\$ (1,963,137)</u>
Seek Capital Outlay Fund	<u>\$ (472,114)</u>
General Fund	<u>\$ (801,705)</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 11 – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	51	1	Indirect costs	\$ 121,306
Operating	320	400	Debt service requirement	957,639
Operating	1	2	Matching – KETS	93,678
Operating	310	400	Debt service requirement	712,009
Operating	51	360	Construction	300,000
Operating	320	360	Construction	2,286,465
Operating	400	360	Construction	981,000
Operating	1	52	Operations	15,931
Operating	310	360	Construction	147,381

NOTE 12 – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables at June 30, 2013.

NOTE 13 – SUBSEQUENT EVENTS

We evaluated events and transactions that occurred after the balance sheet date as potential subsequent events. We performed this evaluation through October XX, 2013, the date on which we issued our financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Seek Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES					
Cash and cash equivalents	\$ -	\$ 72,655	\$ 2,807,564	\$ 1,297,305	\$ 4,177,524
TOTAL ASSETS AND RESOURCES	<u>\$ -</u>	<u>\$ 72,655</u>	<u>\$ 2,807,564</u>	<u>\$ 1,297,305</u>	<u>\$ 4,177,524</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 870,535	\$ -	\$ 870,535
Construction retainage payable	-	-	110,147	-	110,147
Matured coupons outstanding	-	-	-	52,416	52,416
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>980,682</u>	<u>52,416</u>	<u>1,033,098</u>
FUND BALANCES					
Restricted					
SFCC escrow – prior offer	-	72,655	-	-	72,655
Future construction projects (BG-1)	-	-	1,826,882	-	1,826,882
Debt service	-	-	-	1,244,889	1,244,889
TOTAL FUND BALANCES	<u>-</u>	<u>72,655</u>	<u>1,826,882</u>	<u>1,244,889</u>	<u>3,144,426</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 72,655</u>	<u>\$ 2,807,564</u>	<u>\$ 1,297,305</u>	<u>\$ 4,177,524</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	Seek Capital Outlay <u>Fund</u>	FSPK <u>Fund</u>	Construction <u>Fund</u>	Debt Service <u>Funds</u>	Total Nonmajor Governmental <u>Funds</u>
REVENUES					
From local sources:					
Taxes:					
Property	\$ -	\$ 262,683	\$ -	\$ -	\$ 262,683
Earnings on investments	-	-	3,452	42,660	46,112
Intergovernmental – state	387,276	1,018,284	-	583,873	1,989,433
Intergovernmental – direct federal	-	-	-	429,135	429,135
TOTAL REVENUES	<u>387,276</u>	<u>1,280,967</u>	<u>3,452</u>	<u>1,055,668</u>	<u>2,727,363</u>
EXPENDITURES					
Payment of bonds	-	-	-	1,335,000	1,335,000
Payment of interest	-	-	-	1,036,127	1,036,127
Building acquisitions and construction	-	-	1,122,452	-	1,122,452
Building improvements	-	-	768,964	-	768,964
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>1,891,416</u>	<u>2,371,127</u>	<u>4,262,543</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>387,276</u>	<u>1,280,967</u>	<u>(1,887,964)</u>	<u>(1,315,459)</u>	<u>(1,535,180)</u>
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	-	1,020,000	1,020,000
Bond fees/issuance costs	-	-	-	(39,000)	(39,000)
Operating transfers in	-	-	3,714,846	1,669,648	5,384,494
Operating transfers out	(859,390)	(3,244,104)	-	(981,000)	(5,084,494)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(859,390)</u>	<u>(3,244,104)</u>	<u>3,714,846</u>	<u>1,669,648</u>	<u>1,281,000</u>
NET CHANGES IN FUND BALANCES	(472,114)	(1,963,137)	1,826,882	354,189	(254,180)
FUND BALANCES, JULY 1, 2012	<u>472,114</u>	<u>2,035,792</u>	<u>-</u>	<u>890,700</u>	<u>3,398,606</u>
FUND BALANCES, JUNE 30, 2013	<u>\$ -</u>	<u>\$ 72,655</u>	<u>\$ 1,826,882</u>	<u>\$ 1,244,889</u>	<u>\$ 3,144,426</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
WHITLEY COUNTY HIGH SCHOOL
Year Ended June 30, 2013

ACCOUNTS:	Cash Balances <u>July 1, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>
General	\$ 9,371	\$ 8,430	\$ 8,604	\$ 1
Pepsi	2,297	3,707	3,803	-
Academic Team	3	1,000	2,512	1,600
Art	341	410	986	341
Band	892	6,047	5,399	-
Beta Club	613	954	955	-
Cheerleaders	18	10,269	5,082	1,500
Choir	421	166	424	-
DECA	1,333	2,391	761	-
FBLA	272	80	273	-
FFA	1,093	15,145	11,288	-
FCCLA	528	6,522	6,790	-
Horticulture	7,564	7,970	7,477	-
Parking	3,641	1,680	493	(1,800)
Library	83	-	-	(83)
Science/Math Club	816	-	14	-
Seniors	60	9,661	10,860	1,400
Textbooks	5,113	1,607	1,377	-
Vocational Foods	524	-	-	-
Yearbook	8,366	4,426	8,561	83
Spanish Club	-	259	185	-
French	214	197	214	-
Football	12,442	33,751	30,694	-
Boys Basketball	4,377	9,251	13,706	80
Girls Basketball	5,242	9,240	11,339	-
Baseball	1,975	-	5,321	3,346
Softball	2	5,041	7,065	2,022
Track	2,381	1,938	6,225	1,910
Lockers	2,599	3,850	2,256	(1,600)
Pep	533	-	48	-
TMH	203	-	203	-
JROTC	8,595	9,463	11,531	400
JROTC Paver Project	-	4,025	-	-
Teacher's Pepsi	2,819	7,269	7,106	-
Tennis	5,455	590	4,282	-
Special Olympics	358	-	358	-
FEA	1,685	7,192	8,313	-
CATS	82	185	3,182	2,915
Special Events	37,549	225	2,592	(80)
Transportation	10,326	739	1,050	(4,045)
Boys Golf	1,497	-	2,172	680
Girls Golf	1,127	2,311	3,621	445

<u>Cash Balances</u> <u>June 30, 2013</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2013</u>	<u>Fund</u> <u>Balances</u> <u>June 30,</u> <u>2013</u>
\$ 9,198	\$ -	\$ 1,333	\$ 7,865
2,201	23	-	2,224
91	-	-	91
106	-	-	106
1,540	-	-	1,540
612	-	-	612
6,705	-	-	6,705
163	-	-	163
2,963	-	-	2,963
79	-	-	79
4,950	-	810	4,140
260	-	-	260
8,057	-	-	8,057
3,028	-	-	3,028
-	-	-	-
802	-	-	802
261	-	-	261
5,343	-	-	5,343
524	-	-	524
4,314	-	-	4,314
74	-	-	74
197	-	-	197
15,499	-	-	15,499
2	-	-	2
3,143	-	-	3,143
-	-	-	-
-	-	-	-
4	-	-	4
2,593	-	-	2,593
485	-	-	485
-	-	-	-
6,927	-	507	6,420
4,025	-	-	4,025
2,982	153	-	3,135
1,763	-	532	1,231
-	-	-	-
564	-	-	564
-	-	-	-
35,102	-	-	35,102
5,970	-	-	5,970
5	-	-	5
262	-	-	262

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES (CONTINUED)
WHITLEY COUNTY HIGH SCHOOL
Year Ended June 30, 2013

ACCOUNTS:	Cash Balances <u>July 1, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>
NHS	65	-	699	650
Volleyball	-	4,765	5,975	1,210
Project TLC	1,326	-	-	-
Colonel Players	1,107	200	491	-
Drama	-	2,588	569	-
Wrestling	336	2,473	6,017	3,305
First Priority	1	738	878	139
Soccer	1,599	1,725	3,317	-
Girls Soccer	1,348	1,846	3,046	-
FRC	1	-	-	(1)
Non-Revenue Sport	29,343	7,500	1,637	(17,583)
Scholarship	600	-	400	-
Physical Education	95	-	-	(95)
Boys Cross Country	147	30	2,968	2,800
Girls Cross Country	3	-	460	460
Totals	<u>\$ 178,781</u>	<u>\$ 197,856</u>	<u>\$ 223,579</u>	<u>\$ -</u>

Cash Balances June 30, 2013	Accounts Receivable June 30, 2013	Accounts Payable June 30, 2013	Fund Balances June 30, 2013
16	-	-	16
-	-	-	-
1,326	-	-	1,326
816	-	-	816
2,019	-	-	2,019
97	-	-	97
-	-	-	-
7	-	-	7
148	-	-	148
-	-	-	-
17,623	-	-	17,623
200	-	-	200
-	-	-	-
9	-	-	9
3	-	-	3
<u>\$ 153,058</u>	<u>\$ 176</u>	<u>\$ 3,182</u>	<u>\$ 150,052</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES – ACTIVITY FUNDS
Year Ended June 30, 2013

	Cash Balances <u>July 1, 2012</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Interfund Transfers</u>
WHITLEY COUNTY MIDDLE SCHOOL				
All funds	\$ <u>61,522</u>	\$ <u>125,023</u>	\$ <u>127,314</u>	\$ <u>-</u>
OAK GROVE ELEMENTARY SCHOOL				
All funds	\$ <u>17,737</u>	\$ <u>63,920</u>	\$ <u>64,650</u>	\$ <u>-</u>
WHITLEY COUNTY NORTH ELEMENTARY SCHOOL				
All funds	\$ <u>30,464</u>	\$ <u>16,471</u>	\$ <u>20,325</u>	\$ <u>-</u>
PLEASANT VIEW ELEMENTARY SCHOOL				
All funds	\$ <u>14,704</u>	\$ <u>18,719</u>	\$ <u>16,938</u>	\$ <u>-</u>
WHITLEY COUNTY CENTRAL PRIMARY SCHOOL				
All funds	\$ <u>22,685</u>	\$ <u>40,450</u>	\$ <u>45,974</u>	\$ <u>-</u>
BOSTON ELEMENTARY SCHOOL				
All funds	\$ <u>4,328</u>	\$ <u>4,586</u>	\$ <u>3,370</u>	\$ <u>-</u>
ROCKHOLDS OPPORTUNITY CENTER				
All funds	\$ <u>11,652</u>	\$ <u>272</u>	\$ <u>110</u>	\$ <u>-</u>
WHITLEY COUNTY INTERMEDIATE SCHOOL				
All funds	\$ <u>52,876</u>	\$ <u>43,280</u>	\$ <u>42,979</u>	\$ <u>-</u>
WHITLEY COUNTY EAST ELEMENTARY SCHOOL				
All funds	\$ <u>24,372</u>	\$ <u>20,594</u>	\$ <u>18,497</u>	\$ <u>-</u>

<u>Cash Balances</u> <u>June 30, 2013</u>	<u>Accounts</u> <u>Receivable</u> <u>June 30,</u> <u>2013</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2013</u>	<u>Fund</u> <u>Balances</u> <u>June 30,</u> <u>2013</u>
\$ <u>59,231</u>	\$ <u>217</u>	\$ <u>11,036</u>	\$ <u>48,412</u>
\$ <u>17,007</u>	\$ <u>49</u>	\$ <u>3,600</u>	\$ <u>13,456</u>
\$ <u>26,610</u>	\$ <u>223</u>	\$ <u>-</u>	\$ <u>26,833</u>
\$ <u>16,485</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>16,485</u>
\$ <u>17,161</u>	\$ <u>-</u>	\$ <u>199</u>	\$ <u>16,962</u>
\$ <u>5,544</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>5,544</u>
\$ <u>11,814</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>11,814</u>
\$ <u>53,177</u>	\$ <u>341</u>	\$ <u>-</u>	\$ <u>53,518</u>
\$ <u>26,469</u>	\$ <u>74</u>	\$ <u>133</u>	\$ <u>26,410</u>

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award</u>	<u>Federal Disbursements</u>
<u>U.S. Department of Education</u>				
Passed through State Department of Education:				
SPECIAL EDUCATION CLUSTER (IDEA)				
Special Education – Grants to States (IDEA, Part B)	84.027A	3810002-12	\$ 963,278	\$ 951,456*
Special Education – Grants to States (IDEA, Part B)	84.027A	3810002-11	962,186	119,069*
Special Education – Grants to States (IDEA, Part B)	84.027A	3810002-10	984,103	8,134*
Special Education – Preschool Grants (IDEA, Preschool)	84.173A	3800002-12	37,035	<u>37,035*</u>
Total Special Education Cluster (IDEA)				<u>1,115,694</u>
TITLE I, PART A CLUSTER				
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	3100002-12	2,442,559	2,442,559*
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	3100002-11	2,535,576	107,115*
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010A	3100002-10	2,560,925	8,094*
Title I Grants to Local Educational Agencies, (Title I, Part A of the ESEA)	84.010A	3100202-11	45,688	<u>2,329*</u>
Total Title I, Part A Cluster				<u>2,560,097</u>
SCHOOL IMPROVEMENT GRANTS CLUSTER				
School Improvement Grants, Recovery Act	84.388A	4100302-09	71,750	<u>71,750</u>
Total School Improvement Grants Cluster				<u>71,750</u>
EDUCATION OF HOMELESS CHILDREN AND YOUTH CLUSTER				
Education for Homeless Children and Youth	84.196A	3990002-12	49,317	<u>47,187</u>
Total Education for Homeless Children and Youth Cluster				<u>47,187</u>
Vocational Education – Basic Grants to States	84.048	4621332-12	52,547	45,528
Vocational Education – Basic Grants to States	84.048	4621232-11	68,556	589
Improving Teacher Quality State Grants	84.367	3230002-12	352,682	352,682
Race to the Top	84.413A	3960002-11	102,259	67,857
Twenty-First Century Community Learning Centers	84.287	3400002-12	35,000	35,000*
Twenty-First Century Community Learning Centers	84.287	3400002-11	655,500	595,196*
Twenty-First Century Community Learning Centers	84.287	3400002-10	736,750	230,593*
Fund for the Improvement of Education	84.215	6873	14,000	10,135
Rural Education	84.358B	3140002-12	83,100	83,100

* Denotes major program

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program Or Award</u>	<u>Federal Disbursements</u>
Rural Education	84.358B	3140002-11	96,516	89,649
Rural Education	84.358B	3140002-10	123,437	45,986
Adult Education – State Grant Program	84.002A	3653	14,630	14,630
Adult Education – State Grant Program	84.002A	3733	136,762	136,762
Adult Education – State Grant Program	84.002A	3732	124,616	1,784
Education Jobs Fund	84.410	EJOB0010	1,286,546	<u>9,056*</u>
Total U.S. Department of Education				<u>\$ 5,513,275</u>
<u>U.S. Department of Labor</u>				
Passed through State Department of Education:				
WIA Jobs for America's Graduates	17.259	5883A	\$ 48,250	\$ 48,246
WIA Jobs for America's Graduates	17.259	5883B	32,750	<u>32,646</u>
Total U.S. Department of Labor				<u>\$ 80,892</u>
<u>U.S. Department of Agriculture</u>				
Passed through State Department of Education:				
CHILD NUTRITION CLUSTER				
School Breakfast Program	10.553	7760005-13	\$ 576,786	\$ 576,786*
		7760005-12	161,047	161,047*
National School Lunch Program	10.555	7750002-13	1,180,622	1,180,622*
		7750002-12	326,539	326,539*
Summer Food Service Program for Children	10.559	7690024-13	4,118	4,118*
		7690024-12	1,375	1,375*
		7740023-13	39,806	39,806*
		7740023-12	13,275	<u>13,275*</u>
Total Child Nutrition Cluster				<u>2,303,568</u>
EMERGENCY FOOD ASSISTANCE CLUSTER				
Emergency Food Assistance Program	10.569	4005381	161,672	<u>161,672</u>
Total Emergency Food Assistance Cluster				<u>161,672</u>
Child and Adult Care Food Program	10.558	7800016-13	9,053	9,053
		7800016-12	1,344	1,344
		7790021-13	136,883	136,883
		7790021-12	21,902	21,902
Fresh Fruit and Vegetable Program	10.582	7720012-13	52,046	52,046
		7720012-12	16,463	<u>16,463</u>
Total U.S. Department of Agriculture				<u>\$ 2,702,931</u>

* Denotes major program

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2013

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<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award</u>	<u>Federal Disbursements</u>
<u>National Oceanic and Atmospheric Administration</u>				
Congressionally Identified Awards and Projects	11.469	EF-11-92	\$ 769	\$ 250
Total National Oceanic and Atmospheric Administration				\$ 250
<u>U.S. Department of Defense</u>				
Junior Reserve Officers' Training Corps	12.000	5043	\$ 61,974	\$ 61,974
Total U.S. Department of Defense				\$ 61,974
<u>Corporation for National and Community Service</u>				
Learn and Serve America – School and Community Based Programs	94.004	1000001-10	\$ 1,150	\$ 391
Learn and Serve America – School and Community Based Programs	94.004	1000001-09	5,500	563
Learn and Serve America – School and Community Based Programs	94.004	6750	3,860	1,180
Total Corporation for National and Community Service				\$ 2,134
<u>U.S. Department of Energy</u>				
State Energy Program, Recovery Act	81.041	5692	\$ 23,400	\$ -
Total U.S. Department of Energy				\$ -
<u>Appalachian Regional Commission</u>				
Appalachian Research, Technical Assistance and Demonstration Projects	23.011	6883	\$ 3,410	\$ 2,458
Appalachian Research Technical Assistance and Demonstration Projects	23.011	6882	5,000	1,425
Total Appalachian Regional Commission				\$ 3,883
Total Expenditures of Federal Awards				\$ 8,365,339

* Denotes major program

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Whitley County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

SUMMARY OF AUDIT RESULTS

1. We have issued an unmodified opinion on the basic financial statements of the Whitley County School District.
2. No material weakness(es) were identified in our audit of the financial statements.
3. No significant deficiencies were identified in our audit of the financial statements.
4. No material noncompliance was identified in our audit of the financial statements.
5. No ^mMaterial weakness(es) were identified in our audit of internal control over major programs.
6. No significant deficiencies were noted in our audit of internal control over major programs.
7. We have issued an unmodified opinion on compliance for major programs.
8. The audit did not disclose any audit findings, which we are required to report under Section 510(a) of OMB Circular A-133.
9. The programs tested as major programs included:

	<u>CFDA</u>
TITLE I, PART A CLUSTER	
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010A
CHILD NUTRITION CLUSTER	
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
National School Breakfast Program	10.553
SPECIAL EDUCATION CLUSTER (IDEA)	
Special Education – Preschool Grants (IDEA, Preschool)	84.173A
Special Education – Grants to States (IDEA, Part B)	84.027A
Twenty-First Century Community Learning Centers	84.287
Education Jobs Fund	84.410

10. The threshold for distinguishing Types A and B programs was \$300,000.
11. Whitley County School District was determined to be a low risk auditee.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

WHITLEY COUNTY SCHOOL DISTRICT
Williamsburg, Kentucky

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2013

NONE

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

October XX, 2013

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

We have audited, in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations; Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Whitley County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October XX, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

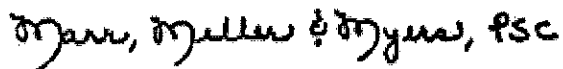
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract – State Audit Requirements.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

October , 2013

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Whitley County School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Marr, Miller & Myers, PSC

Certified Public Accountants

October , 2013

Members of the Board of Education
Whitley County School District
Williamsburg, Kentucky

In planning and performing our audit of the financial statements of the Whitley County School District for the year ended June 30, 2013, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit, we became aware of no matters that are required to be noted and there were no prior year findings.


Certified Public Accountants